

OATH OR AFFIRMATION

I, Francis G. Mitchell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Trading Partners, Inc., as of December 31, 2003 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Francis G. Mitchell

Signature

PRESIDENT

Title

Susan Wenzlick

Notary Public

Notarial Seal
Susan Wenzlick, Notary Public
Radnor Twp., Delaware County
My Commission Expires Feb. 26, 2005
Member, Pennsylvania Association of Notaries

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

TRADING PARTNERS, INC.

Statement of Financial Condition

December 31, 2003

TRADING PARTNERS, INC.

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BEUCLER, KELLY & IRWIN, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Trading Partners, Inc.
Wayne, Pennsylvania

We have audited the accompanying statement of financial condition of Trading Partners, Inc. (an S Corporation) as of December 31, 2003 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Trading Partners, Inc. as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

February 23, 2004

Beucler, Kelly & Irwin, Ltd.
Beucler, Kelly & Irwin, Ltd.

TRADING PARTNERS, INC.
Statement of Financial Condition
December 31, 2003

Assets

Current Assets	
Cash and cash equivalents	\$ 208,712
Commissions receivable	<u>31,279</u>
Total Current Assets	<u>239,991</u>
Property and Equipment	
Equipment net of accumulated depreciation of \$4,652	<u>9,561</u>
Total Property and Equipment	<u>9,561</u>
Other Assets	
Rental deposits	120
Travel advances	15,066
Investments	<u>15,120</u>
Total Other Assets	<u>30,306</u>
Total Assets	<u>\$ 279,858</u>

Liabilities and Stockholder's Equity

Current Liabilities	
Unearned commissions	\$ 85,281
Accounts payable and accrued expenses	<u>28,867</u>
Total Current Liabilities	<u>114,148</u>
Stockholder's Equity	
Common stock (.01 par value 10,000 shares authorized, 1,000 shares issued and outstanding)	10
Paid-in capital	98,190
Retained earnings	72,590
Accumulated other comprehensive loss	<u>(5,080)</u>
Total Stockholder's Equity	<u>165,710</u>
Total Liabilities and Stockholder's Equity	<u>\$ 279,858</u>

See Accompanying Notes.

TRADING PARTNERS, INC.

Notes to Financial Statements

December 31, 2003

Note 1 - Organization and Line of Business

Trading Partners, Inc. was incorporated in Pennsylvania on June 10, 1988. The Company is a NASD registered broker dealer and realizes commission income from securities trading on behalf of institutional investment firms and others located throughout the United States. The Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

Note 2 - Summary of Significant Accounting Policies

Income Taxes

The Company has elected to be taxed as an S Corporation whereby all income is taxed directly to the stockholder. Thus, the Company does not make a provision for income taxes.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid investments purchased with a maturity date of three (3) months or less as cash and cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the useful lives of the assets.

Commission Income

Commission income and related expenses are recognized on a settlement date basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pension Expense

The Company maintains a SAR - SEP Plan for all of its employees. An employee may defer up to the lesser of 25% of compensation or \$12,000 in 2003 and the employer may make a discretionary contribution.

Note 3 - Net Capital Requirements

Pursuant to the net capital provisions of rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital will fluctuate on a daily basis. The Company had net capital of \$138,695 at December 31, 2003.

TRADING PARTNERS, INC.

Notes to Financial Statements

December 31, 2003

Note 4 – Leases

During 2002, the Company leased office space from its sole stockholder on a one-year lease which expired December 31, 2003. Rent expense paid to the stockholder was \$24,000.

Note 5 – Customer Research Advances and Unearned Commissions

The Company provides various investment-related research services to certain of its customers and by agreement is compensated for these services in the form of brokerage commissions in an amount equal to or greater than the cash value of the services. Research service expenses and the related revenue are recognized in the month in which the expense is paid. At December 31, 2003, the Company had received commission income in excess of the cash value of services provided in the amount of \$ 85,281. These unearned commissions are included with aggregate indebtedness for purposes of the aggregate indebtedness calculation.

Note 6 – Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentration of credit risk consist of cash deposited with financial institutions, which exceed FDIC insured limits from time to time.

Note 7 – Investments

The investments held by the Company are stated at quoted market value. Investments are accounted for as available-for-sale securities. At December 31, 2003, investments consist of the following:

<u>Quantity</u>	<u>Investment</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
300	The NASDAQ Stock Market, Inc. – Warrants	\$ 3,300	\$ 2,835	\$ (465)
1,300	The NASDAQ Stock Market, Inc. – Common stock	16,900	12,285	(4,615)
		<u>\$ 20,200</u>	<u>\$ 15,120</u>	<u>\$ (5,080)</u>

The warrants are exercisable at prices ranging from \$14.00 to \$16.00, depending upon the date of exercise.

Note 8 – Commission Income

Commission income represents \$1,072,256 of commissions earned net of \$249,410 of commission rebates to customers.